

Prepared for the future.



Where Your Toll Dollars Go 2010/11



Contents

2	Board of Commissioners
3	Chairman's Message
5	CEO's Message
6	Statistics
7	Core Business Activities
10	Corporate Overview
12	MD&A
21	Auditor's Report
22	Financial Statements
25	Notes to Financial Statements

Board of Commissioners



Left to Right

Top Row:

Mr. Tom Calkin,* Chair
Mr. Wayne Mason,* Vice Chair
Councillor Jackie Barkhouse**

Middle Row:

Councillor Jerry Blumenthal**
Mr. Russell Hatton*
Councillor David Hendsbee**

Bottom Row:

Mr. Tim Olive*
Mr. Graham Read*
Councillor Sue Uteck**

*Provincial appointees

**HRM appointees

Message from the Chairman



It is with pleasure that I submit the Chairman's message for Halifax Harbour Bridges (HHB) 2010/11 annual report. After six years of leading the board through significant projects and change, it is my last message as my term ended April 31, 2011.

While reflecting on my tenure as chairman and the accomplishments of the board I recognize that we helped HHB progress to where the organization sits right now: **prepared for the future.**

Some highlights for me include: eliminating tokens after 45 years of use, implementing the next generation of tolling systems for *MACPASS* and ensuring a strong emphasis on the safety of the bridges and the traveling public by investing in their maintenance.

We also tackled the issue of growing congestion on the bridges and, while we did good work, we "cry uncle" because our attempts to solve the growing traffic demands and congestion remains unsolved. The third lane on the Macdonald Bridge and *MACPASS* helped eliminate congestion 12 years ago. While not yet in gridlock, congestion is growing and we have exhausted the normal "tool bag" of solutions within our mandate.

We studied whether or not the region needs another harbour crossing and we studied whether or not peak period tolling or one way tolling are viable solutions. Adding another harbour crossing is not something the public or the government wants. Peak period tolling would only move vehicles out of the peak hours if the toll was something in the order of a 500 per cent increase over what it is today.

The results of these studies, plus others, are very valuable for decision making in the future. The public will know what congestion really means when a critical volume point is reached. We need to be prepared to deal with it if that time comes.

Our next steps are not quite as clear. While we encourage active transportation, an obvious step is to manage the number of people who cross the bridges by encouraging people to car pool or take public transit. There are people working for HHB and the municipality looking at how to accomplish this and I, as a citizen, look forward to the outcome.

We did things within the mandate of the bridges to address growing congestion and we can also help address congestion beyond the borders of the bridges. Suggestions like applying cordon tolling would have to be initiated by others yet we could assist with *MACPASS* technology.

One main highlight for me as chairman was the toll increase that came into effect April 1, 2011. The board recognized this increase was critical in preparing for the future by ensuring the two bridges are well maintained.

The toll increase was the first in almost 20 years. Why did we wait so long? Simply put, we just didn't need it. We had decreasing interest rates and increasing revenue which allowed us to delay. From 1997 to the end of 2010 we decreased the debt from \$123 million to \$51 million and invested over \$100 million in capital and maintenance projects over the same period.

Yet, with the prospect of having to redeck the suspended spans on the Macdonald Bridge in 2015, a project estimated to cost between \$185 and \$205 million, it became clear that a toll increase was needed because borrowing alone was not a good business decision. We submitted a sound business case to the Nova Scotia Utility and Review Board in 2011 and were pleased when the increase was granted. This project will be followed sometime with the redecking of the MacKay Bridge. The estimated timeframe for this project is 2023/24 and is estimated to cost in the range of \$350 million.

I worked with many fine board members during my two terms as chairman of the board and I have many positive things to say about each of them. Many unique contributions, ideas and suggestions were made and we accomplished a lot.

In addition to my departure, HHB said goodbye to Sue Uteck who served for two years as an HRM councilor and provincial appointee Russell Hatton who served five years.

The old order changes and a team with several new faces assume this important governance work. Wayne Mason, who has been on the board since 2005, has been appointed as board chair. His experience with HHB is extensive having served as vice chair, member of the executive committee and chair of the audit committee.

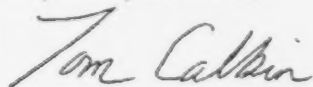
Graham Read, who has been on the board for one year was appointed vice chair and there are three new members: provincial appointees Claude Carter and Bill Mills and HRM councilor Mary Wile.

I also worked with four fine Ministers of Finance during my time as chairman. They were all strong supporters of HHB and as a board we absorbed their wisdom. Staff at the department of finance also deserves praise and thanks. The same applies to HHB staff, both current and past. The staff work to support our governance role as a board is outstanding and with great cooperation and teamwork under the leadership of the general manager and CEO, Steve Snider, for whom I have the utmost respect.

Governance of a crown corporation is not as easy as one might think. Given my responsibility as chair, I honoured that responsibility to the best of my ability. Yet being the chair of a crown corporation requires one to be like the "second fiddle" in an orchestra. As "second fiddle" my job was often to do no more than make sure all the organizational issues were played on note and with clear precision. We should not be afraid to redefine the "business we are in". Society as it changes, will demand it.

While I leave my post knowing there is much to do in search of a solution to congestion I also leave knowing the board and all HHB employees are fully committed to the organization and do a tremendous job at achieving the mission, which is to: provide safe, efficient and reliable passage at an appropriate cost.

Respectfully submitted,



Tom Calkin, BSc.C.E., M.B.A., P.Eng., CMC
Chairman of the Board of Commissioners

Message from the General Manager and CEO



2010-2011 will be noted as a landmark year for Halifax Harbour Bridges.

We completed significant capital works on the MacKay Bridge, work totaling \$9.2 million, half of which was funded from the Federal Infrastructure Stimulus Fund. This is the only external funding HHB has received in the last 25 years.

Work continues as we prepare for the largest project since the building of the MacKay Bridge, the redecking of the suspended spans of the Macdonald Bridge. The project is expected to cost between \$185 to \$205 million dollars. The design work is taking place now and the on-site work will begin in early 2015 and end in late 2016. The cost associated with this project is the reason HHB requested the recent toll increase as approved by the Nova Scotia Utility and Review Board.

One area of growth of which I am particularly proud is our commitment to developing a world-class safety program. HHB has always had a strong focus on safety yet in 2010/11 we raised the bar and made a commitment towards having no injuries in the workplace. To help us achieve this goal, we hired our first safety manager. I am proud of the entire workforce for their commitment and their full engagement to ensuring they and their colleagues are working safe.

In 2010 I served as president of the International Bridge, Tunnel and Turnpike Association (IBTTA), a worldwide association for owners and operators of toll facilities and the businesses that serve tolling. The theme of my term as president was "Driving Sustainability" which looked at how the tolling industry can become more sustainable. There are many tolling initiatives being used around the world and HHB is constantly reviewing how these tolling methods can be applied to our facilities.

HHB also implemented an environmental policy to help us improve our environmental performance and consciousness. The policy will help employees and stakeholders better understand how our activities impact the environment and how to reduce or eliminate these impacts. Improving our organization's environmental performance has numerous benefits including creating a healthier safer workplace and enhancing our organizational performance.

The harbour bridges serve as a link to the communities in and around HRM and in 2010 we expanded our support of community events. In addition to our annual Natal Day events like Bridgewalk, MACPASS Miles and the parade, we have added events through the year.

We now host "Bras Across the Bridge" every September. People donate used bras which are strung across the Macdonald Bridge. For each bra \$1 is donated to the Canadian Breast Cancer Foundation. And last October HHB hosted the inaugural Zip Zone, in support of Easter Seals NS. Participants raise money for the opportunity to rappel from the top of the tower of the Macdonald Bridge to the sidewalk.

We look forward to a productive 2011/12 as we continue to provide safe, reliable and efficient harbour crossings.

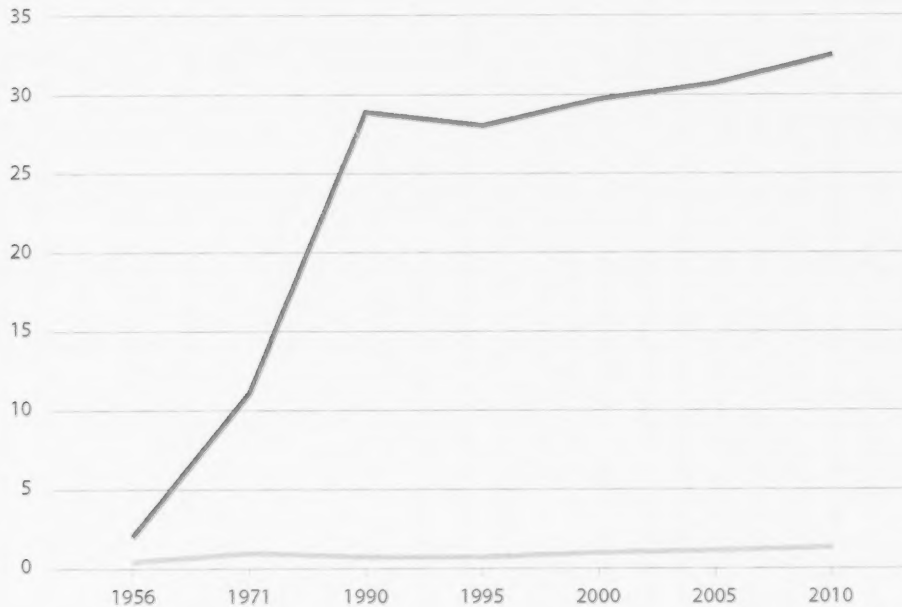


Steven Snider
General Manager and CEO

By the Numbers

Annual Traffic Statistics (1956 to 2010 Calendar Year)

Number of Vehicles
(Millions)

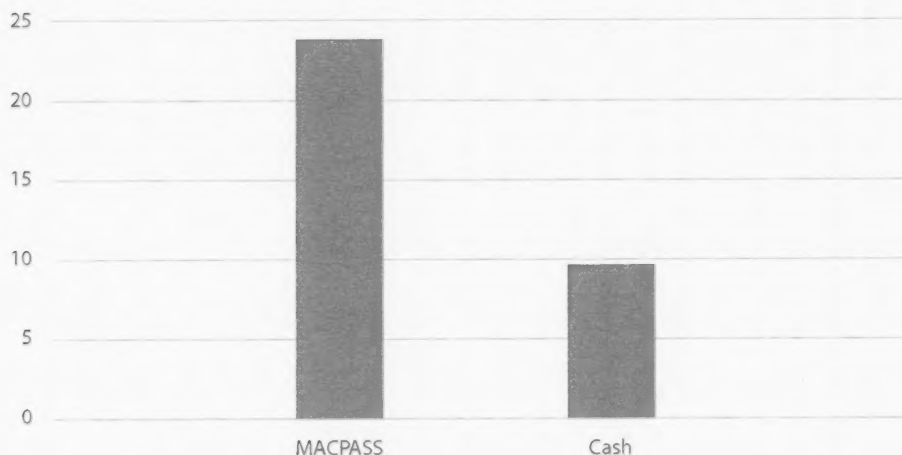


Significant Growth

In terms of vehicular traffic, this represents significant growth. Passenger vehicles represent approximately 96% of our total volume with the remaining 4% being commercial traffic and buses.

Electronic Toll Collection (MACPASS) in 2010 Calendar Year

Number of Vehicles
(Millions)



Well-established Technology

Introduced in 1998, MACPASS represents 72.8% of total traffic and 82.7% of peak period morning traffic. There were over 168,525 transponders in use in 2010 (compared to 25,000 in 2000).

2010/11 Highlights — Maintenance



Major Projects

In 2010 projects totaling \$9.4 million were conducted at the MacKay Bridge, including replacing two modular expansion joints and the adjacent deck panels.

Objective: To ensure the bridges are well-maintained and structurally sound.

Each year the two harbour bridges receive a rigorous inspection to ensure all maintenance requirements are identified and proper action is taken. The annual inspection determines the course of action for the current year and forms the basis of the three-year maintenance plan. With the extensive amount of construction work that takes place each year HHB works hard to minimize disruption to the travelling public.

In 2010 the A. Murray MacKay Bridge underwent significant maintenance work. Two modular expansion joints were replaced; deck panels adjacent to the expansion joints were replaced and the suspended spans were resurfaced. The resurfacing included removing existing asphalt, repairing waterproofing and replacing asphalt.

In late 2010 a safety project was completed at the A. Murray MacKay Bridge. A centre median was installed through the Dartmouth Plaza to reduce the potential for head-on crashes and the median lighting was upgraded to LED.

The extensive maintenance at the MacKay Bridge is part of the longer term plan to ensure major maintenance projects are complete in preparation for replacement of the suspended spans on the Macdonald Bridge in 2015 and 2016.

2010/11 Highlights—Efficient Transportation



Electronic Tolling

HHB has leveraged the use of *MACPASS* at the Stanfield International Airport. If you pay for your tolls with a credit card you can use your *MACPASS* for long and short term parking at the airport.

Objective: To maintain convenient and reliable passage by working with stakeholders to identify improvements, which will assist future capacity requirements; and to continue to actively market electronic toll collection (*MACPASS*) to decrease traffic congestion and accommodate future traffic growth.

The main initiative in achieving this objective was for HHB to commission a study to investigate if peak period tolling and or one-way tolling would help reduce the growing congestion on the bridges.

The results of that study reveal that, given current conditions, peak period tolling and one-way tolling on the harbour bridges would not noticeably help reduce traffic congestion at this time.

The study showed that substantial changes in demand would only occur if a very significant increase in tolls were applied. The cost to travel during the peak period would be about \$3 each way using *MACPASS*. A \$3 toll would decrease traffic in the peak hour by only 15%.

Peak period tolling without improvements to the regional road capacity in the peninsula of Halifax or enhanced public transit would not work.

Over the next several years HHB will continue to investigate the role tolling can play to make crossing the bridges more efficient for the traveling public.

2010/11 Highlights—Operations



Variable Message Signs

HHB has six variable message signs on the approach roads to the Mackay Bridge—three in Halifax and three in Dartmouth. These signs are very valuable for communicating any disruptions to traffic.

Objective: To ensure the safety of the traveling public and employees through ongoing reviews and implementation of HHB's policies, procedures and initiatives.

2010/11 saw changes in how HHB approaches the operational management of their facilities. A comprehensive traffic management program (CTMP) was introduced which takes a three-pillar approach to ensuring a safe travelling experience for our customers.

The first pillar centres on traffic control by using efficient signage, markings, traffic routing and other methods to control traffic flow. The second pillar is a proactive enforcement strategy, which looks at the causes of collisions and applies enforcement strategies to mitigate or prevent collisions. The third pillar is education and awareness of the travelling public pertaining to their safe operation of motor vehicles and associated driving habits. HHB has seen positive results with this new approach and long term evaluation will access the total benefits.

The issue of security continues to be a high priority for critical infrastructures. HHB has spent considerable time and effort introducing new technologies to enhance our ability to maintain situational awareness in a real time environment. The first phase was introduced in early 2011, with the remainder being completed by end of fiscal 2011.

We also must continue to practice and adhere to current emergency management procedures. HHB has and continues to strengthen its relationships required within the Port of Halifax, HRM and the province to ensure we are prepared for any emergency event. This is accomplished through interagency emergency event exercising, meetings and the development of joint protocols.

Corporate Overview

Mission

To provide safe, efficient and reliable passage at an appropriate cost.

Mandate

The Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges—HHB), is the self-supporting entity that operates two toll bridges, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. It was created in 1950 by a statute of the Province of Nova Scotia and now operates under a statute passed in 2005. In accordance with Section 27 of the *Halifax-Dartmouth Bridge Commission Act*:

- 27 (1) With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.
- (2) Where the Government of the Province or the Municipality request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project referred to in subsection (1), the Commission may
- (a) conduct such investigation and studies as it considers advisable respecting
 - (i) the need or advisability of a transportation project referred to in subsection (1),
 - (ii) the proper location of any such transportation project,
 - (iii) the manner or method of financing and operating any such transportation project,
 - (iv) the probable cost of acquiring lands for the purposes of an additional transportation project and the cost of constructing such transportation project,
 - (v) any other matter related to the construction, operation or financing of a transportation project referred to in subsection (1) that the Commission considers relevant;
 - (b) for the purpose of making investigation and studies, engage expert or technical assistance;
 - (c) defray the cost of its investigations and studies out of the ordinary revenue of the Commission;
 - (d) make reports and recommendations to the Government of the Province and the Municipality.
- (3) Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

Organizational Structure

HHB has nine Board members. The Governor in Council appoints five members, including the Chair and Vice-Chair and the Halifax Regional Municipality appoints four Councillors to serve on the Board. The provincial appointees for 2009 were: Mr. Tom Calkin (Chair), Mr. Wayne Mason (Vice Chair), Mr. Russell Hatton, Mr. Tim Olive and Mr. Graham Read. Representing Halifax Regional Municipality (HRM) are Councillors Sue Uteck, David Hendsbee, Jackie Barkhouse and Jerry Blumenthal.

Within the board structure there are four standing committees dealing specifically with:

1. Audit
2. Finance, administration and planning
3. Maintenance
4. Operations, communications and *MACPASS*

HHB employs 35 administrative and maintenance staff on a permanent basis. Seasonally HHB employs approximately 40 painters and 12 gardening staff.

Strategic Goals

To carry out its mission HHB has identified the following strategic goals:

1. Manage the cash flow and debt to meet the future capital and maintenance requirements;
2. When requested, advocate HHB's plan to address additional cross-harbour capacity and initiate planning steps to secure the transportation corridor;
3. Communicate HHB's long term strategic plan;
4. Focus on strengthening HHB's relationships with major stakeholders including all who use the bridges;
5. When requested support and advance major tolling projects with the Halifax Regional Municipality and the province of Nova Scotia;
6. Become an industry leader in safety, security and operations;
7. Complete a major six-year maintenance program started in 2006;
8. Become a recognized leader in the pursuit of sustainable transportation demand management solutions; and
9. Increase the percentage of vehicle crossings using *MACPASS* to 80 per cent.

Management Discussion and Analysis

For Three Months Ended and Twelve Months Ended March 31, 2011

The date of this MD&A is June 29, 2011.

Halifax Harbour Bridges (HHB) is pleased to present its Management Discussion and Analysis with respect to the three months and twelve months ended March 31, 2011. The detailed discussion and analysis that follows is provided to assist readers in their assessment and understanding of the results of operations and the financial position of HHB during the fourth quarter of 2011 relative to 2010 and for the year ended March 31, 2011 relative to 2010. It combines an analysis of trends and year-to-year changes in the results with an outlook to the year ending March 31, 2012.

HHB reports as a government business enterprise as defined by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA). Government business enterprises are required to use generally accepted accounting principles for profit-oriented enterprises in their financial reporting.

The dollar amounts in this presentation are in thousands and in Canadian dollars.

HHB's web site is www.hdbc.ca.

Overview

HHB was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*—Statutes of Nova Scotia, 2005, c.7).

HHB is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

HHB consists of nine Commissioners. The Province of Nova Scotia appoints five members including the Chair and Vice Chair, while the Halifax Regional Municipality appoints four Councillors.

HHB reports to the Legislature through the Minister of Finance.

Business

HHB has operated the Angus L. Macdonald Bridge, (the "Macdonald Bridge"), since 1955 and the A. Murray MacKay Bridge, (the "MacKay Bridge"), since 1970.

Operation of the bridges and the related approaches includes continuing engineering inspections, routine and long term maintenance, repairs, winter snow and ice clearance, traffic patrols, security measures, toll collection, financial and general administration.

Competition

HHB does not face competition in any meaningful sense, as the service it provides is unique.

The bridges directly connect the built up areas of Halifax and Dartmouth and generally provide significantly quicker access to the business districts of both communities than do the alternate routes. Pedestrians and bicyclists are not permitted on the MacKay Bridge, but pedestrians may walk and bicyclists ride, across the Macdonald Bridge without charge, in their dedicated lanes.

Those wishing to travel from one side of the Harbour to the other have several means of doing so; among them the Bridges operated by HHB which constitute the most direct route for motor vehicles across the Harbour. The alternatives are a combination of local streets and public highways around Bedford Basin, a distance of approximately 19 kilometres or more, measured from the Dartmouth approach to the Halifax approach of the MacKay Bridge. The ferries operated by Metro Transit carry both pedestrians and bicyclists.

Financial affairs

HHB manages its own financial affairs within the policies established by the Province of Nova Scotia applicable to Crown corporations and government business enterprises generally.

HHB is self-supporting financially. It charges tolls to vehicles crossing the bridges and collects additional revenue from other utilities which have installed a water line and cables across the bridges.

Public Utility

For certain purposes, HHB is deemed to be a public utility and is subject to the general supervisory powers of the Nova Scotia Utility and Review Board (NSUARB).

By the terms of its act of incorporation, HHB is not subject to the provisions of the Public Utilities Act (Nova Scotia) relating to (a) new construction, improvements, betterments, or extensions to its property; (b) issue of shares, stocks, bonds, debentures or other evidences of indebtedness; (c) proper and adequate depreciation of its assets; and (d) setting up, maintaining, use and disposal of depreciation reserve funds.

Toll rates for the use of the bridges are subject to NSUARB approval.

Securities Regulations

HHB is no longer a reporting issuer in any jurisdiction and is no longer subject to any of the continuous disclosure obligations of reporting issuers.

Significant Items

Infrastructure Stimulus Funding Projects (ISF) (\$000's)

In early fall of 2009, through the Province of Nova Scotia, HHB applied for and was approved to receive funding towards the A. Murray MacKay Bridge main towers replacement of expansion joints and deck panels, and suspended spans resurfacing. The cost of this project, which was completed prior to year end, was \$7,397 with ISF funding of \$3,672.

In late summer of 2010, through the Province of Nova Scotia, HHB applied for and was approved to receive funding towards the A. Murray MacKay Bridge – Dartmouth median concrete jersey barriers project. The cost of this project, which was completed prior to year end, was \$1,872 with ISF funding of \$900.

Application to the Nova Scotia Utility and Review Board (NSUARB)

HHB submitted an application to the NSUARB for a toll increase to take effect in early 2011. Hearings commenced on November 22, 2010 and a decision was issued January 27, 2011 whereby the NSUARB approved the increase for the cash toll, effective April 1, 2011, and it also approved the *MACPASS* toll increase, to be phased in over two equal steps. The first *MACPASS* increase took effect April 1, 2011 and the second will take effect April 1, 2012. The cash toll increased by \$0.25 and the *MACPASS* increases are \$0.10 each.

Review of Year Ended March 31, 2011 (\$000's)

Net Income / Retained Earnings	Three Months Ended March 31		Twelve Months Ended March 31	
	2010/2011	2009/2010	2010/2011	2009/2010
Toll revenue	\$ 5,667	\$ 5,774	\$ 24,244	\$ 24,251
Other rate revenue	41	37	153	151
Restricted funds investment income	53	34	192	118
Investment income	14	3	37	26
Other	499	113	1,643	605
Amortization of deferred capital contribution	16	16	65	65
Total Revenue	6,290	5,977	26,334	25,216
Operating expenses	1,350	1,524	6,127	5,828
Maintenance expenses	829	499	3,217	3,736
Amortization of property, plant and equipment	1,674	1,508	6,755	6,295
Amortization of deferred transponder charges	7	7	27	27
Interest line of credit	20	-	39	-
Interest long-term debt	644	681	2,713	2,865
Loss on disposal of property, plant and equipment	102	12	252	8
Total Expenses	4,626	4,231	19,130	18,759
Operating Income	1,664	1,746	7,204	6,457
Unrealized gain (loss) on investments	(26)	(11)	56	(31)
Net Income	1,638	1,735	7,260	6,426
Retained Earnings, beginning of year (period)	24,005	18,842	20,545	15,856
Transfer to Restricted Asset Reserves	158	(32)	(2,004)	(1,737)
Retained Earnings, end of year (period)	\$ 25,801	\$ 20,545	\$ 25,801	\$ 20,545

Results of Operations (\$000's)

HHB's net income decreased by \$97 to \$1,638 in Q4 2010/2011 compared to \$1,735 for the same period in 2009/2010. HHB's year to date net income increased by \$834 to \$7,260 from \$6,426 for the same period in 2009/2010. The significant year over year comparative differences within revenues and expenses are discussed later in this section.

Cash on hand for Q4 2010/2011 was \$4,144 which is held in an interest bearing account. This cash position is up from the March 31, 2010 cash position of \$3,115 due to the line of credit borrowings.

Revenues (\$000's)

Toll Revenue

Toll Revenue for Q4 2010/2011 decreased by \$107 to \$5,667 from \$5,774 for the same period in 2009/2010. Traffic volume for Q4 2010/2011 decreased by 73,000 vehicles or 0.915% less than the same period in 2009/2010. Year to date toll revenue for 2010/2011 decreased by \$7 to \$24,244 from \$24,251 in 2009/2010 and is largely due to customers switching from cash to *MACPASS*. Year to date traffic volume for 2010/2011 was up by 137,649 vehicles or 0.41% over the same period in 2009/2010.

Other Rate Revenue

Other rate revenue in Q4 2010/2011 increased slightly over Q4 2009/2010. The other rate revenue represents amounts charged to various businesses, utilities and the Halifax Regional Municipality (HRM) for the use of the Macdonald Bridge and the MacKay Bridge to run their cables and a water line from one side of the harbour to the other; a land lease agreement; and payments to HHB for property access licence agreements.

Restricted Funds Investment Income

Investment income on the Capital Fund, Operations and Maintenance (OM) Fund, and Debt Service Fund amounted to \$53 in Q4 2010/2011, compared to \$34 for the same period in 2009/2010. Year to date restricted funds investment income increased by \$74 to \$192 from \$118 for the same period in 2009/2010. This increase is reflective of the interest earned from the additional semi-annual investments in the Capital Fund during the past year.

Investment Income

Investment income in Q4 2010/2011 increased by \$11 to \$14 compared to the same period in 2009/2010. Year to date investment income increased by \$11 to \$37 for the current year from \$26 for the same period in 2009/2010. The slight increase is reflective of fluctuations in the interest earned on the current account carrying balance due to the timing of income received and major expenditures.

Other Income

Other income in Q4 2010/2011 increased by \$386 to \$499 compared to \$113 for the same period in 2009/2010. Year to date values for other income increased by \$1,038 to \$1,643 in 2010/2011 from \$605 for the same period in 2009/2010. This increase is attributable to the settlement of a prior legal issue.

Amortization of Deferred Capital Contribution

Amortization of deferred capital contribution represents the Q4 2010/2011 amortization amount of \$16 and twelve months' amortization in the amount of \$65 for the Victoria Road Interchange asset that was transferred from the Province of Nova Scotia in 2008.

Total Revenue

These revenue changes resulted in a increase in total revenue during Q4 2010/2011 of \$313 compared to the same period in 2009/2010 and a year to date increase of \$1,118 to \$26,334 in 2010/2011 from \$25,216 for the same period in 2009/2010.

Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, HHB is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST/GST it expends on goods and services.

Revenue Outlook

- Toll revenues are expected to increase in 2011/2012 due to the toll increase.
- Other rate charges in 2011/2012 are expected to remain the same.
- Restricted funds investment income will increase in 2011/2012 as compared to 2010/2011. This is a result of increased deposits in the Capital Fund.
- Other income is expected to decrease in 2011/2012 as compared to 2010/2011 due to the difference in unique revenue items recognized during each year.
- Amortization of deferred capital contribution in 2011/2012 is expected to remain the same.

Expenses (\$000's)

Operating and Maintenance Charges (OM)

Operating expenses in Q4 2010/2011 decreased by \$174 compared to the same period in 2009/2010. Year to date operating expenses increased by \$299 to \$6,127 in 2010/2011 from \$5,828 for the same period in 2009/2010.

The major operating expenses that increased in 2010/2011 as compared to the same period in 2009/2010 were: professional fees \$137; commissionaires \$115; MACPASS operations \$15. The increase in professional fees is due to the NSUARB toll increase application, and legal fees. The increase in commissionaires is due to an increased 24/7 presence for both bridges.

Maintenance expenses increased by \$330 in Q4 2010/2011 compared to the same period in 2009/2010. Year to date maintenance expenses decreased by \$519 to \$3,217 in 2010/2011 from \$3,736 for the same period in 2009/2010. The major maintenance expense items that decreased were: bridge maintenance \$369 and wages \$200. The major maintenance expenses that increased were: engineer fees \$109 and salt costs \$10.

Amortization of Property, Plant and Equipment

Amortization (depreciation) of property, plant and equipment for Q4 2010/2011 increased by \$166 compared to the same period in 2009/2010. Year to date amortization of property, plant and equipment increased by \$460 to \$6,755 in 2010/2011 compared to \$6,295 for the same period in 2009/2010. This increase is attributable to the commencement of amortization for capital projects completed in 2010 and early 2011.

Interest on Line of Credit

An interest expense on the Line of Credit in the amount of \$20 was realized during Q4 2010/2011 and a year to date interest expense of \$39 for 2010/2011. This is a result of HHB drawing three advances, totaling \$5,000, against the \$60,000 revolving, unsecured Line of Credit with the Province of Nova Scotia (established on June 30, 2008). \$3,000 of the advances was repaid prior to year end. There were no advances against the Line of Credit during 2009/2010.

Interest on Long Term Debt

An interest expense in the amount of \$644 was realized for Q4 2010/2011 compared to \$681 for the same period in 2009/2010. The year to date decrease of \$152 to \$2,713 for 2010/2011 as compared to \$2,865 for the same period in 2009/2010 is attributable to the annual installment payment of \$3,000 thereby reducing the long term debt base used in calculating the annual interest cost.

Loss on Disposal of Property, Plant and Equipment

A loss on the disposal of property, plant and equipment during Q4 2010/2011 and for the year ended applies to the removal/replacement of some of the bearings and expansion joints on the MacKay Bridge and the replacement of the Macdonald Bridge garage roof.

Total Expenses

Expense variations resulted in an increase in total expenses for Q4 2010/2011 of \$395 to \$4,626 as compared to \$4,231 for the same period in 2009/2010, and a year to date increase of \$371 in 2010/2011 to \$19,130 from \$18,759 for the same period in 2009/2010.

Unrealized Gain (Loss) on Investments

HHB recognized an unrealized loss of \$26 for Q4 2010/2011 as compared to an unrealized loss of \$11 for the same period in 2009/2010. HHB has an unrealized year to date gain of \$56 as compared to an unrealized loss of \$31 for the same period in 2009/2010. These gains or losses reflect the difference between the investment asset book value and the fair market value and is in accordance with accounting standards in the classification of financial assets.

Expense Outlook

- Operating expenses are expected to decrease slightly in 2011/2012 over 2010/2011 due to savings in professional fees. Maintenance expenses are expected to increase \$506 due to bridge maintenance projects.
- Amortization of property, plant and equipment is expected to increase in 2011/2012 due to the completion of major budgeted capital asset purchases and new budgeted capital projects and purchases in 2011/2012.
- Interest expense for 2011/2012 will decrease due to the continuing repayment of the Province of Nova Scotia long term loan.

Appropriation to Restricted Assets (\$000's)

As required by the terms of the new \$60,000 long term loan agreement with the Province of Nova Scotia, dated July 25, 2007, HHB has established two reserve funds: the OM Fund at \$2,511, which is equal to at least 25% of annual OM expenses budgeted for the following year, and a Debt Service Fund at \$1,307, which is equal to at least 50% of annual interest payments budgeted for the following year on the outstanding loan balance. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of retained earnings on the Statement of Income, Comprehensive Income and Retained Earnings. OM and Debt Service reserve funds will be contributed to or withdrawn from annually as necessary to maintain the funds at the amount required by the long term loan agreement.

Under the terms of the long term loan agreement, HHB established and deposited a minimum of \$900 to a Capital Fund commencing June 4, 2008 and every six months thereafter for the duration of the loan.

Appropriation to Restricted Assets Outlook

Under the terms of the long term loan agreement, HHB will maintain and contribute to the Capital Fund, OM Fund and Debt Service Fund as required for 2011/2012.

Net Income Outlook

- Revenue for 2011/2012 is expected to increase compared to 2010/2011.
- Expenses for 2011/2012 are expected to increase compared to 2010/2011.
- Overall, it is expected that net income for 2011/2012 will increase from 2010/2011.

Summary of Quarterly Reports (\$000's)

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
For the Quarter Ended	Mar 31/11	Dec 31/10	Sep 30/10	Jun 30/10	Mar 31/10	Dec 31/09	Sep 30/09	Jun 30/09
Total Revenue	\$6,290	\$7,248	\$6,362	\$6,434	\$5,977	\$6,526	\$6,383	\$6,330
Net Income	\$1,638	\$2,356	\$1,560	\$1,706	\$1,735	\$2,184	\$1,290	\$1,217

Fluctuations in the comprehensive income quarterly results is indicative of the timing of various maintenance projects throughout the last eight quarters and the noted increase in Q3 of 2010/2011 for the income receivable from a lawsuit settlement. The increase in Q3 2009 is due to significantly lower maintenance expenses during this quarter.

HHB is a non-share entity incorporated by the Province of Nova Scotia. HHB has never paid a dividend.

Balance Sheet (\$000's)

At March 31	2011	2010
Total Assets	\$95,089	\$89,571
Total Long (Short) Term Liabilities	\$59,554	\$61,296

Total assets increased by \$5,518 for 2010/2011 over March 31, 2010 due to the increases in: cash, accounts receivable associated with the ISF project; reserves in Restricted Assets and fixed asset additions.

The short term debt component of Total Liabilities for 2010/2011 consists of an additional \$2,000 for line of credit advances in addition to the \$3,000 for the current principal amount due on December 4th of each year on the \$51,000 outstanding loan with the Province of Nova Scotia. The long term loan agreement, which was made with the Province of Nova Scotia on July 25, 2007, has a final maturity date of December 4, 2019 and bears an average annual interest rate of 5.13%. The \$2,000 outstanding for advances on the line of credit with the Province of Nova Scotia is due November 2011.

Liquidity (\$000's)

The following discussion of Operating, Financing and Investing Activities should be read in conjunction with the Statement of Cash Flows included in the unaudited financial statements, which indicates a positive cash flow of \$1,029 for the year ended March 31, 2011 compared to a negative cash flow of \$3,240 for the same period in 2010.

Operating Activities

HHB's operating activities generated \$13,301 in positive cash flow during the year ended March 31, 2011 compared to a \$11,343 positive cash flow in same period in 2010. Continued positive cash flow from operations is anticipated for 2011/2012.

Investing Activities

HHB incurred capital expenditures of \$9,331 (net of government assistance) during the year ended March 31, 2011, down from \$9,770 for the same period in 2010. HHB invested \$2,108 in the Capital Fund and reinvested the matured holdings (plus interest) in the OM Fund and Debt Service Fund during the year ended March 31, 2011, in accordance with the long term loan agreement with the Province of Nova Scotia.

HHB recognized a decrease in the accrued employee future benefits liability of \$21 during the year ended March 31, 2011 (see Notes to Financial Statements #15).

Financing Activities

HHB requested and received three advances, totaling \$5,000, against the \$60,000 Line of Credit with the Province of Nova Scotia. \$3,000 was repaid prior to year end.

HHB repaid the current portion of the long term debt of \$3,000 to the Province of Nova Scotia on December 4, 2010 and December 4, 2009, respectively.

Capital Resources (\$000's)

HHB's capital requirements budget for 2011/2012 is estimated at approximately \$15,573 and encompasses major expenditures such as: \$5,000 on the Macdonald Bridge for the suspended spans re-decking lead work; \$4,500 for the security upgrade project; \$575 for transponder inventory; \$1,930 for other toll & IT capital projects; \$3,151 for other bridge work and \$417 for other minor capital expenditures.

Related Party Transactions (\$000's)

As a provincially controlled public sector entity, HHB is considered to be related to the Province of Nova Scotia. HHB is also related to the Halifax Regional Municipality as it has significant influence over the Board.

On July 25, 2007, HHB entered into a refinancing loan agreement for \$60,000 with the Province of Nova Scotia.

HHB Interest on the long term debt for the period ended March 31, 2011 was \$2,713 of which \$823 was payable at year end.

On June 30, 2008, HHB entered into a \$60,000 revolving, unsecured Line of Credit (LOC) with the Province of Nova Scotia. HHB has one advance outstanding totaling \$2,000 against the LOC and has accrued interest in the amount of \$39, all of which was payable at year end.

Financial Instruments

Fair Value of Financial Instruments

Financial instruments of HHB consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and short term and long term debt. The carrying values of these financial assets and financial liabilities approximate their fair values, except for restricted assets and long term debt, as disclosed in Notes to Financial Statements #6 and #7 respectively.

Interest Rate Risk

The market value of the Commission's restricted asset investments is directly related to the market interest rate in effect at the time of the market value determination as indicated in Notes to Financial Statements #6. HHB is exposed to interest rate cash flow risk on the Line of Credit with the Province of Nova Scotia, as the interest rate is a floating rate that is reset quarterly as market rates change, as indicated in Notes to Financial Statements #11 (a).

Independent Auditor Report

To the Chair and Commissioners of Halifax-Dartmouth Bridge Commission:

We have audited the accompanying financial statements, which comprise the balance sheet of the Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges) as at March 31, 2011 and the statement of income and retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

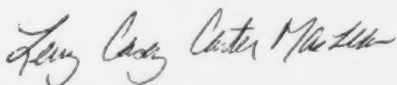
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Halifax-Dartmouth Bridge Commission as at March 31, 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Levy Casey Carter MacLean
Chartered Accountants

Halifax, Nova Scotia
June 29, 2011

Audited Financial Statements

Balance Sheet (\$000's)

For years ended March 31	2011	2010
Assets		
Current:		
Cash (note 2(e))	\$ 4,144	\$ 3,115
Receivables		
Trade	629	319
Accrued interest	6	1
Recoverable HST (note 4)	138	250
Prepaid expenses	170	158
Total Current Assets	5,087	3,843
Restricted Assets (note 6)		
Capital Fund	5,916	3,753
OM Fund	2,511	2,597
Debt Service Fund	1,307	1,380
Total Restricted Assets	9,734	7,730
Total Current and Restricted Assets	14,821	11,573
Deferred transponder charges net of accumulated amortization of \$475 (March 31, 2010 – \$449) (note 10)	182	208
Property, plant and equipment (note 5)	80,086	77,790
Total Assets	\$95,089	\$89,571
Liabilities		
Current:		
Payables and accruals, trade	\$ 1,945	\$ 2,957
Project holdbacks payable	1,140	890
Refundable customer transponder amounts	24	26
Deferred revenue (note 2(b)(i))	2,712	2,623
Current portion unearned revenue	103	83
Line of credit (note 11(a))	2,000	-
Current portion of long term debt (note 7)	3,000	3,000
Total Current Liabilities	10,924	9,579
Deferred capital contribution (note 2(b)(ii))	454	519
Accrued employee future benefits (note 15)	127	148
Unearned revenue	49	50
Long term debt (note 7)	48,000	51,000
Total Liabilities	59,554	61,296
Equity		
Reserve for restricted assets (note 6)	9,734	7,730
Retained earnings	25,801	20,545
Total Equity	35,535	28,275
Total Liabilities and Equity	\$95,089	\$89,571

On behalf of the Board



Tom Calkin, Chair



Wayne Mason, Vice Chair

Statements of Income and Retained Earnings (\$000's)

For years ended March 31	2011	2010
Revenue		
Toll revenue (note 2(b)(i))	\$24,244	\$24,251
Other rate revenue	153	151
Investment and sundry income		
Restricted funds investment income	192	118
Investment income	37	26
Other income	1,643	605
Amortization of deferred capital contribution (note 2(b)(ii))	65	65
Total Revenue	26,334	25,216
Expenses		
Operating expenses	6,127	5,828
Maintenance expenses	3,217	3,736
Amortization of property, plant and equipment	6,755	6,295
Amortization of deferred transponder charges	27	27
Interest on line of credit	39	-
Interest on long term debt	2,713	2,865
Loss on disposal of property, plant and equipment	252	8
Total Expenses	19,130	18,759
Operating Income	7,204	6,457
Other Income (Expense)		
Unrealized gain (loss) on investments	56	(31)
Net Income	7,260	6,426
Retained Earnings, beginning of year	20,545	15,856
Transfer to Restricted Asset Reserves (note 6)	(2,004)	(1,737)
Retained Earnings, end of year	\$25,801	\$20,545

Statement of Cash Flows (\$000's)

For years ended March 31	2011	2010
Operating Activities		
Net income	\$ 7,260	\$ 6,426
Amortization of property, plant and equipment	6,755	6,295
Amortization of deferred transponder charges	27	27
Unearned revenue	(1)	1
Unrealized loss (gain) on investments	(56)	31
Loss on disposal of property, plant and equipment	252	8
Amortization of deferred capital contribution	(65)	(65)
	14,172	12,723
Net change in non-cash working capital balances (note 9)	(871)	(1,380)
	13,301	11,343
Investing Activities		
Purchase of property, plant and equipment	(13,709)	(9,964)
Proceeds from disposal of property, plant and equipment	28	6
Investment in Capital Fund	(2,108)	(1,871)
Investment in OM Fund	86	(47)
Investment in Debt Service Fund	74	150
Government assistance (note 17)	4,378	194
Decrease in accrued employee future benefits liability (note 15)	(21)	(51)
	(11,272)	(11,583)
Financing Activities		
Long term debt installment payment	(3,000)	(3,000)
Increase in line of credit – Province of Nova Scotia	2,000	-
	(1,000)	(3,000)
Increase (decrease) in cash during year	1,029	(3,240)
Cash, beginning of year	3,115	6,355
Cash, end of year	\$ 4,144	\$ 3,115

Audited Notes to Financial Statements

1. Incorporation

The Halifax-Dartmouth Bridge Commission, operating as Halifax Harbour Bridges (HHB) was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*—Statutes of Nova Scotia, 2005, c.7).

HHB is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

Under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (1)—With the approval of the Governor in Council, HHB may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

The Government of the Province or the Halifax Regional Municipality may request HHB to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project as stipulated under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (2).

Under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (3)—Any costs incurred by HHB under this Section are expenses of operating the Bridges or a transportation project in respect of which HHB is collecting tolls, fees, rates and other charges.

2. Significant Accounting Policies (\$000's)

a) Basis of financial statement presentation

HHB, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use Canadian generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

- i) HHB recognizes revenue at the time a vehicle crosses a bridge. HHB's bridge toll rates are regulated by the Nova Scotia Utility and Review Board (NSUARB). Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.
- ii) Contributed capital contributions are deferred and recognized into revenue on a basis consistent with the capital asset's related amortization.

c) Government grants

Stimulus funding from Infrastructure Canada is accrued as earned and recorded as a reduction in the capital cost of the related asset.

d) Amortization of property, plant and equipment

HHB uses the full straight line (s.l.) method for calculating amortization on all assets, at rates based on the useful life as indicated in Note 5. Amortization commences in the year an asset is put in use. HHB periodically updates the estimated remaining useful life of the bridges based on consultation with HHB's external consulting engineers.

e) Cash

Cash consists of funds held in the current bank account and cash on hand. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

f) Financial instruments

HHB classifies its financial instruments as follows:

Cash, the OM Fund, Debt Service Fund and Capital Fund are classified as assets held for trading and are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income in the period during which the change occurs as unrealized gain or loss. Transaction costs are expensed when incurred.

Receivables are classified as loans and receivables and payables, line of credit and long term debt as other financial liabilities. These instruments are deemed to have been issued at prevailing market interest rates at the date of advance, accordingly no adjustment for fair value has been recorded.

g) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Management makes significant estimates as to the remaining life of the bridges and bridge components. Such estimates could vary materially from actual experience.

3. International Financial Reporting Standards (\$000's)

In February 2008, the Canadian Accounting Standards Board announced that current Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises would be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. As a government business enterprise, HHB will be required to prepare its March 31, 2012 financial statements, including comparative information, in compliance with IFRS. HHB is currently assessing the potential impact of the transition to IFRS on the financial statements, disclosures, and broader financial reporting systems and controls. On transition to IFRS effective April 1, 2010, management plans to record land at fair value, resulting in an estimated increase to land and opening retained earnings of \$3,500, while the remainder of property, plant and equipment will continue to be recorded at historical cost as per IAS 16 resulting in no material impact to the currently reported amounts.

4. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, HHB is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

5. Property, plant and equipment (\$000's)

	2011				2010
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		\$ 5,735	\$ -	\$ 5,735	\$ 5,735
Buildings	5 to 40 yrs	3,824	1,908	1,916	1,797
Bridge and bridge components					
Angus L. Macdonald	5 to 125 yrs	72,657	34,454	38,203	39,549
A. Murray MacKay	5 to 125 yrs	38,684	17,270	21,414	17,950
Electronic toll transponders	to Dec 31, 2017	3,904	1,786	2,118	1,944
Other assets	2 to 5 yrs	7,098	2,128	4,970	4,012
IT computers and other equipment	5 to 25 yrs	9,113	3,860	5,253	6,349
Mobile equipment	5 to 10 yrs	1,467	990	477	454
		\$142,482	\$62,396	\$80,086	\$77,790

Of the above cost amounts, \$4,541 represents projects that are in progress as at March 31, 2011 and are not currently being amortized.

6. Restricted Assets (\$000's)

HHB entered into a long term loan agreement with the Province of Nova Scotia on July 25, 2007. This agreement requires that HHB maintain two reserve funds effective December 4, 2007 which are the Operating, Maintenance & Administrative Fund (OM Fund) and Debt Service Fund and effective June 4, 2008, a Capital Fund was also established.

Under the terms of the loan agreement, the OM Fund must be maintained at an amount at least equal to 25% of the annual budgeted OM expenses for the following year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to HHB's unrestricted accounts. At March 31, 2011 the OM Fund was held in a GIC with a rate of 1.20%, maturing September 30, 2011 and had a market value of \$2,511 (\$2,597 – 2010).

Under the terms of the loan agreement, the Debt Service Fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness. This fund can only be used to pay principal, interest, and fees, although any amount in the fund in excess of the required balance can be transferred to HHB's unrestricted accounts. At March 31, 2011 the Debt Service Fund was held in a GIC with a rate of 1.20%, maturing September 30, 2011 and had a market value of \$1,307 (\$1,380 – 2010).

Under the terms of the loan agreement, HHB established and deposited a minimum of \$900 to a Capital Fund commencing June 4, 2008 and every six months thereafter for the duration of the loan. This fund can only be used to pay amounts owing in respect of the principal or interest on the long term loan, or for the maintenance of, or improvements to, the bridges. At March 31, 2011, the Capital Fund, held by the Province of Nova Scotia, had a market value of \$5,916 (\$3,753 – 2010) and was invested in various provincial bonds maturing in 2013 and 2014 with annual yields of 3.99% to 10.00%.

7. Long Term Debt (\$000's)

	2011	2010
\$60,000 Long Term Loan Agreement with the Province of Nova Scotia on July 25, 2007 with a final maturity date of December 4, 2019. The agreement requires eleven consecutive annual installments of \$3,000 commencing with an installment payment on December 4, 2008 and for each year thereafter with the final principal repayment amount of \$27,000 along with all accrued and unpaid interest thereon due on the final maturity date of December 4, 2019. Interest is payable semi-annually with the first interest payment due on December 4, 2007 and on June 4th and December 4th each year thereafter. The average interest rate over the 12-year period is 5.13%. This debt is unsecured.	\$51,000	\$54,000
Less: Principal debt maturing within one year:	(3,000)	(3,000)
Total Long Term Debt:	\$48,000	\$51,000

Minimum principal repayments required within the next five years and thereafter are as follows: 2012 – \$3,000; 2013 – \$3,000; 2014 – \$3,000; 2015 – \$3,000; 2016 – \$3,000; thereafter – \$36,000.

8. Interest paid on short and long term debt (\$000's)

	2011	2010
Interest on long term debt	\$2,775	\$2,912
Interest on line of credit	-	-
	\$2,775	\$2,912

9. Net change in non-cash operating balances (\$000's)

	2011	2010
Increase (decrease) in cash from changes in:		
Receivables	\$(203)	\$ (84)
Prepaid expenses	(12)	(12)
Payables and accruals	(763)	(1,176)
Customer transponder amounts	(2)	(161)
Unearned revenue	20	(1)
Deferred revenue	89	54
	\$(871)	\$(1,380)

10. Transponders (\$000's)

The cost of all transponders issued to customers prior to December 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as property, plant and equipment (see Note 5). In both cases, the transponders are being amortized on a straight-line basis to December 31, 2017.

11. Financial instruments (\$000's)

a) Credit facilities

HNB has access to a \$60,000 revolving, unsecured line of credit with the Province of Nova Scotia. As at March 31, 2011, the balance of this facility was \$2,000 with the principal maturing on November 29, 2011. Interest rate is equal to the arithmetical average of the discount rates on CDOR Banker's Acceptances applicable on the date of the requested advance with interest payable on maturity.

HNB also has a \$5,000 operating loan facility with a chartered bank which bears interest at prime rate minus 0.5% per year. The operating facility is subject to annual review and is unsecured. As at March 31, 2011, no advances were outstanding.

b) Fair value of financial instruments

Financial instruments of HNB consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities, line of credit, and long term debt. The carrying values of these financial assets and financial liabilities approximate their fair values.

c) Credit risk management

HNB provides credit to its customers in the normal course of its operations. In order to reduce its credit risk, HNB has adopted credit policies including the monitoring of its customer accounts. HNB does not have a significant exposure to any individual customer or counterpart.

d) Interest rate risk

The long term debt bears fixed interest rates and consequently, the interest rate risk exposure is minimal.

The Province of Nova Scotia line of credit bears interest on the date of advance as per note 11(a) and consequently will fluctuate based on the rates in effect at the date.

12. Capital management

HNB's objective when managing capital is to ensure there is adequate cash flow on hand to meet its operational and capital expenditure requirements. HNB regularly reviews its projected future toll revenues in conjunction with its current cash position and borrowing ability in order to finance significant future projects that are required to upgrade and maintain its capital assets.

13. Related party transactions (\$000's)

As a provincially controlled public sector entity, HHB is considered to be related to the Province of Nova Scotia. HHB is also related to the Halifax Regional Municipality as it has significant influence over the Board.

On July 25, 2007, HHB entered into a refinancing loan agreement for \$60,000 with the Province of Nova Scotia. HHB interest on the long term debt for the period ended March 31, 2011 was \$2,713 of which \$823 was payable at year end.

On June 30, 2008, HHB entered into a \$60,000 revolving, unsecured line of credit with the Province of Nova Scotia. HHB has one advance totalling \$2,000 against the line of credit and incurred interest in the amount of \$39, all of which was payable as of March 31, 2011.

14. Pension plan (\$000's)

HHB sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at March 31, 2011. HHB recognized an expense of \$106 representing a 6% pension contribution for the year ended March 31, 2011 (\$107 for 2010).

15. Accrued employee future benefits (\$000's)

Canadian generally accepted accounting principles require entities to accrue all employee future benefits. HHB's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. HHB has recorded a liability of \$127 in retirement benefits at March 31, 2011 (Mar. 31, 2010 – \$148). A total of \$12 was allocated to operating and maintenance expenses for the period.

HHB's retiring allowance program is unfunded and benefits are based on length of service and final earnings, as per the criteria described in the preceding paragraph.

A summary of principal retirement allowance benefits expense and disclosure information, as required for disclosure purposes pursuant to CICA 3461, for the current fiscal year follows. Actuarial measurements are as of March 31, 2011.

Audited Notes to Financial Statements — continued

	2011	2010
Components of Net Periodic Benefit Cost		
Current service cost	\$ 8	\$ 6
Interest cost	7	10
Program amendments	-	-
Actuarial loss (gain) on accrued benefit obligation	(3)	31
Gain at beginning of period to adjust March 31, 2009 benefit obligation	-	(41)
Costs arising in the period	\$ 12	\$ 6
Differences between costs arising in the period and costs recognized in the period in respect of:		
Program amendments	-	-
Actuarial loss (gain)	-	-
Net periodic benefit cost recognized	\$ 12	\$ 6

	2011	2010
Weighted-Average Assumptions for Expense		
Discount rate	5.50%	7.30%
Rate of compensation increase	1.00% for 2 yrs, 2.50% thereafter	1.00% for 2 yrs, 2.50% thereafter

	2011	2010
Weighted-Average Assumptions for Disclosure		
Discount rate	5.50%	5.50%
Rate of compensation increase	1.00% for 1 yr, 2.50% thereafter	1.00% for 2 yrs, 2.50% thereafter

	2011	2010
Changes in Accrued Benefit Obligation		
Accrued benefit obligation at end of prior year	\$ 148	\$ 189
Gain at beginning of period	-	(41)
Current service cost	8	6
Interest cost	7	10
Benefits paid	(33)	(47)
Program amendments	-	-
Actuarial loss (gain)	(3)	31
Accrued benefit obligation at end of period	\$ 127	\$ 148

	2011	2010
Reconciliation of Funded Status to Accrued Benefit Liability		
Deficit at end of year	\$(127)	\$(148)
Unamortized past service cost	-	-
Unamortized net actuarial loss	-	-
Accrued benefit liability	\$(127)	\$(148)

16. Comparative figures

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

17. Federal Infrastructure Stimulus Funding (ISF) (\$000's)

In early fall of 2009, through the Province of Nova Scotia, HHB applied for and was approved to receive funding towards the A. Murray MacKay Bridge main towers replacement of expansion joints and deck panels, and suspended spans resurfacing. The cost of the project, which was completed prior to year end, was \$7,397 with ISF funding of \$3,672. As of March 31, 2011, all progress claims had been submitted to ISF and applied as an offset against capital costs incurred. Of these claims, \$342 was still receivable at March 31, 2011.

In late summer of 2010, through the Province of Nova Scotia, HHB applied for and was approved to receive funding towards the A. Murray MacKay Bridge Dartmouth median barriers. The cost of the project, which was completed prior to year end, was \$1,872 with ISF funding of \$900. As of March 31, 2011, all progress claims had been submitted to ISF and applied as an offset against capital costs incurred. Of these claims, \$158 was still receivable at March 31, 2011.



Halifax Harbour Bridges

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